

Message Text

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ORIGIN EUR-12

INFO OCT-01 ISO-00 USIE-00 AGRE-00 EA-07 INRE-00 SSO-00
NSCE-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08 FRB-03
INR-07 IO-13 NEA-10 NSAE-00 OPIC-03 SP-02 TRSE-00
LAB-04 SIL-01 OMB-01 SS-15 NSC-05 L-03 PA-01 PRS-01
XMB-02 /105 R

DRAFTED BY OASIA/IMA:SVANBATENBURG

APPROVED BY EUR/RPE:ACALBRECHT

TREAS:SYVRUD

EUR/RPE:RSGELBARD

EB/IFD:EPREEG

TREASURY:LWIDMAN

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TO USMISSION OECD PARIS IMMEDIATE

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E.O. 11652:N/A

TAGS:EFIN, OECD

SUBJECT:FEBRUARY 25 EPC/TWP MEETING

REF: A. OECD PARIS 4476

B. STATE 38675

1. FOLLOWING AGENDA FOR FEBRUARY 25 EPC/TWP (REF A) MEETING
ARE COMMENTS BELOW ON MAJOR TOPICS TO BE DISCUSSED.

2. SMALLER OECD COUNTRIES' FINANCIAL POSITION. REQUEST
MISSION REPORT IN DETAIL ON DISCUSSION OF POSITION OF SMALL
OECD COUNTRIES, PARTICULARLY FOCUSING ON PROSPECTS FOR
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FINANCING. SUGGEST U.S. DEL MAKE STATEMENT REAFFIRMING
IMPORTANCE OF SMALLER COUNTRIES INITIATING ADJUSTMENT
MEASURES SUFFICIENTLY EARLY IN ORDER TO REDUCE CURRENT
ACCOUNT DEFICITS AND TO PRESERVE CREDITWORTHINESS. THIS
MAY MEAN COUNTRIES WILL NEED TO INITIATE STABILIZATION
MEASURES BEFORE EXHAUSTING PRIVATE FINANCE POTENTIALS.
OFFICIAL FINANCING SHOULD BE USED ONLY TO COMPLEMENT

STABILIZATION PROGRAMS AND MEET TEMPORARY DIFFICULTIES.

3. FINANCIAL SUPPORT FUND. REGARDING FINANCIAL SUPPORT FUND (FSF) U.S. ADMINISTRATION HAS NOT YET DECIDED WHETHER TO RESUBMIT FSF LEGISLATION. AN EXTENSIVE REVIEW IS CURRENTLY UNDERWAY ON ADEQUACY OF SOURCES OF OFFICIAL FINANCING AND ON

MOST APPROPRIATE METHODS TO INCREASE, IF NECESSARY, AVAILABILITY OF SUCH FINANCING. THIS REVIEW SPECIFICALLY INCLUDES PROPOSED FSF MECHANISM.

4. CIEC. U.S. INTENDS TO TAKE UP QUESTIONS OF TIMING AND PROCEDURE FOR RECONVENING CIEC AT MARCH 2 G-8 MEETING. U.S. DEL SHOULD NOTE THAT U.S. WISHES TO CONTINUE TO USE TWP AS FORUM FOR OECD-WIDE DISCUSSION OF CIEC FINANCIAL AND INVESTMENT ISSUES AND WOULD THEREFORE HOPE TO HAVE LATER TWP MEETING TO DISCUSS SUCH ISSUES PRIOR TO CIEC'S RESUMPTION. AS U.S. SUBSTANTIVE POSITIONS ON CIEC ISSUES ARE STILL UNDER REVIEW BY THE ADMINISTRATION, SUGGEST U.S. DEL AVOID GETTING INTO A SUBSTANTIVE DISCUSSION OF ISSUES AT THIS TWP MEETING. WE DO SUGGEST THAT IN CORRIDOR DISCUSSIONS, BUT NOT IN THE MEETING, YOU APPROACH EC, JAPANESE AND SWISS DELEGATES AND INQUIRE WHETHER ANY FURTHER MOVEMENT IS POSSIBLE FROM THEM ON ACCESS TO CAPITAL MARKETS, NOTING THAT SOME GESTURE EITHER OF A SPECIFIC NATURE OR A GENERAL INCREASE IN COMMITMENT TO EASE ACCESS WOULD BE VALUABLE IN SECURING SUPPORT OF MEXICO AND BRAZIL FOR A NONCONFRONTATIONAL CONCLUSION OF CIEC IN GENERAL AND FOR A POSITIVE LIMITED OFFICIAL USE

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RESULT ON DIRECT INVESTMENT IN PARTICULAR.

5. PROPOSED EAST/WEST TWP STUDY. PROPOSED STUDY WOULD ENCOMPASS OVERALL FINANCIAL SITUATION AND PROSPECTS OF EASTERN COUNTRIES (REF B). SUCH STUDY WOULD BE BROADER IN SCOPE THAN WORK CONTEMPLATED BY EXPORT CREDITS GROUP (ECG) AND COULD BE UNDERTAKEN BY TWP IN ORDER TO INCLUDE PARTICIPATION OF MEMBER COUNTRY FINANCE MINISTRIES RATHER THAN ECG SUPPORT STAFFS. THE TWP WOULD HOWEVER NEED TO DRAW HEAVILY ON ONGOING WORK OF ECG AND OTHER OECD BODIES IN PREPARING THIS STUDY. SUGGEST U.S. DEL RAISE THIS ISSUE AT TWP MEETING OR SEEK TO HAVE SECRETARIAL PLACE ON THE AGENDA.

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INFO OCT-01 ISO-00 /005 R

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R 031647Z MAR 77

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FOLLOWING REPEAT STATE 041971 ACTION OECD PARIS 24 FEB

QUOTE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMMITTEE MEETINGS
Control Number: n/a
Copy: SINGLE
Sent Date: 24-Feb-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE041971
Document Source: CORE
Document Unique ID: 00
Drafter: SVANBATENBURG
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770064-1180
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770211/aaaaakht.tel
Line Count: 223
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 88591fbf-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 OECD PARIS 4476, 77 STATE 38675
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 01-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3236860
Secure: OPEN
Status: NATIVE
Subject: FEBRUARY 25 EPC/TWP MEETING
TAGS: EFIN, OECD
To: OECD PARIS
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/88591fbf-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009